



NEW!

CITY OF MESA HEALTH PLAN COMMITTED PARTNER AND COMMITTED PARTNER ELIGIBLE CHILDREN

Employees and retirees have the option to enroll eligible Committed Partner (CP) and CP children (under age 26, living with the employee/retiree and the CP) in the City's Medical/Prescription Drug, Dental or Vision Care coverage, as a new hire or during Open Enrollment. Benefit eligible active employees can also choose to enroll CP/CP children in Voluntary/Supplemental Life Insurance coverage.

You must already be enrolled in the eligible plan(s) in which you elect to enroll a CP or a CP child. (Employees **cannot** seek reimbursement for health care or dependent care (child care/elder care) expenses, for CP or CP children/elders under FSA accounts.)

Who is a Committed Partner Family Member?

The City of Mesa Health Plan Document designates a number of criteria that establish eligibility for CP coverage, including but not limited to:

- ✓ Both parties over age 18
- ✓ Both parties able to execute a "Declaration of Committed Partnership"
- ✓ Reside together in a common household with joint responsibility for financial management
- ✓ Documented, long-term (at least 12-months) exclusive, committed and personal partnership
- ✓ Not married to, legally separated from or committed partner to any other person(s).
- ✓ Not already eligible for City of Mesa Health Plan coverage (as employee/retiree or dependent of one)

You can go online to www.mesaaz.gov/benefits to review Plan Document provisions, enrollment requirements and materials.

Important notes

- ✓ Before CP/CP children enrollment can be activated, you must:
 - Register - with a notarized/signed "**Declaration of Committed Partnership**"
 - Verify - proof of relationship/duration and financial inter-dependence documentation
 - Complete/submit – a **Benefit Enrollment Form including Life Insurance and EOI form** (if applicable)
- ✓ There may be **significant income and payroll tax consequences** to the employee/retiree, as a result of CP/CP children enrollment – see details later in this communication
- ✓ Enrollment processing (including submission of **all** required documentation) can be done during your new hire process. Otherwise, your next opportunity will be during an Open Enrollment period for a subsequent January 1st effective date.
- ✓ Qualifying event family status changes do **not** apply to CP/CP children enrollments

How to Enroll Committed Partner/CP Children

During the new hire process or Open Enrollment, you can e-mail, fax, mail or hand-deliver to Employee Benefits Administration:

- ✓ "Declaration of Committed Partnership" form, completed, signed by you and your CP, and **notarized**
- ✓ Verification of CP children's relationship to CP (birth/adoption/legal guardianship documentation etc.) if applicable
- ✓ "Benefits Enrollment Form" completed and signed by you and your CP
- ✓ Documentation that verifies your Committed Partnership/financial inter-dependence, including legible copies of at least **two** (2) of the following:
 - Joint ownership or lease of primary residence (mortgage, deed or lease agreement)
 - Joint bank or credit card accounts (redacted bank/credit statement or blank voided check with both names printed on the check or statement of account)
 - Life Insurance Beneficiary designation or Last Will and Testament naming each other as primary beneficiary
 - Designation of you and your CP to act on each other's behalf for all purposes under a Power of Attorney
 - Joint utility billing notice(s), showing both parties, same address/location
 - Other documentation that verifies financial inter-dependence and Committed Partnership

At least one of your verification documents must have an effective date at least twelve (12) months prior to the effective date of CP/CP children enrollment.

Tax Implications of Enrolling Committed Partner/CP Children

Federal tax regulations require the City's Health Plan to default your CP/CP children to non-qualified tax dependent status for purposes of health plan coverage taxability. This is different from current family coverage that could include a legal spouse or natural/adopted/foster/legal guardian children, all of whom receive employer provided Health Plan coverage/benefits/premiums on a tax-free basis under current Federal tax regulations.

If you enroll CP/CP children, the **premiums** that active employees pay for coverage are payroll deducted on a **post-tax** basis. Additionally, the "value" of City contributions for the coverage will result in **taxable imputed income** to you (active employee). A CP/CP children enrollment may also result in taxable imputed income for a retiree, although the City does not pay the retiree, issue W-2's or make that determination for you. Both employees and retirees are responsible to seek tax advice about the tax dependent status of your CP/CP Children for purposes of adjusting your income amounts on your annual federal and/or state income tax returns, if applicable.

- **Post-Tax Elections Only**

If you enroll CP/CP children, premiums you pay for Medical/Prescription Drug, Dental or Vision Care coverage will be deducted on a post-tax basis only. Premiums paid by all retirees are automatically post-tax, as are premiums for employees' supplemental life insurance coverage for self, spouse/CP or children.

- **Imputed Income**

For active employees, imputed income amounts are "added" to regular income each pay check for tax calculation purposes only. You don't receive more pay, but you may pay more tax - additional Federal, State and FICA tax withholding. If your tax status is such that you do pay more tax, your net pay will be reduced each pay period in which imputed income is applied. For example, the estimated amount of imputed income that will apply to full-time active employees in 2014/2015, for CP/CP children enrollment in Medical/Prescription Drug coverage, is \$246 per pay period or \$5,904 annually. With a 25% tax bracket (combined Federal, State and FICA tax) that could result in almost \$1,500 per year additional tax liability (or approximately \$62 additional tax per pay period and an equivalent reduction in net pay). There will also be additional imputed income and potential tax liability for enrollment in Dental and Vision Care plans as well. **It's very important to "do the tax math" before you make a decision to enroll your CP/CP children.** For retirees, the City will not calculate, notify, and apply imputed income. Retirees must consider both City and State contributions and subsidies when "doing the tax math". Retirees are advised to seek tax advice to determine their income status as a result of enrolling CP/CP children in coverage.

Dropping Committed Partner Coverage

When CP/CP children are no longer eligible for coverage as defined above, you must immediately advise Employee Benefits Administration to terminate coverage. You can **voluntarily** drop CP/CP children coverage at any time, even if CP/CP children otherwise remain eligible under the terms of the Plan. CP/CP children are not eligible for COBRA continuation privileges regardless of why coverage is terminated. If you change your mind about a voluntary drop, the next opportunity to re-enroll would be during an Open Enrollment period.

Primary/Secondary Committed Partner Coverage

If your CP or CP children) are eligible for Medicare (based on age or social security disability award), or have other health plan coverage of any type, Medicare or such other coverage will pay primary benefits and the City of Mesa Health Plan will pay secondary benefits (unless otherwise prohibited by regulatory provisions).

Employee Benefits Administration:

20 E Main Street, Suite 600, PO Box 1466, Mesa, AZ 85211-1466

Phone: 480-644-2299 Option 2; Fax: 480-644-4548; Email: benefits.info@mesaaz.gov